

No. 6/10/DPM

Jakarta, February 16, 2004

CIRCULAR LETTER

Subject: Procedures for Government Securities Auction on the Primary Market.

With regard to the stipulation of Bank Indonesia Regulation Number 6/3/PBI/2004 dated February 16, 2004 Concerning Issuance, Sale and Purchase and Administration of Government Securities (State Gazette of the Republic of Indonesia Year 2004 Number 16, Supplement to State Gazette Number 4364), and Bank Indonesia Regulation Number 6/2/PBI/2004 dated February 16, 2004 Concerning Bank Indonesia-Scripless Securities Settlement System (State Gazette of the Republic of Indonesia Year 2004 Number 15, Supplement to State Gazette Number 4363), it is considered necessary to provide the implementing guidelines pertaining to the Procedures for Government Securities Auction on the Primary Market.

I. General Provisions

1. Government Securities, hereinafter referred to as SUN, which is issued and sold by way of auction on the Primary Market shall consist of the following:
 - a. Treasury Bills, hereinafter referred to as SPN, i.e. SUN denominated in Rupiah currency with a maturity period of up to 12 (twelve) months and interest payment under discount system; and

b. Government

- b. Government Bonds, i.e. SUN denominated in Rupiah currency with a maturity period of more than 12 (twelve) months with a coupon and/or interest payment under discount system.
2. Parties who are eligible to purchase SUN on the Primary Market are individuals, companies, joint ventures, associations or organized groups.
 3. Parties that are eligible to participate in SUN Auction on the Primary Market, hereinafter referred to as Auction Participants, shall consist of Banks, Rupiah and Foreign Exchange Money Market Brokers and Securities Companies appointed by the Minister of Finance of the Republic of Indonesia.
 4. Buyers who are not Auction Participants shall place their bid to purchase SUN via Auction Participants.
 5. Auction bids may be placed either by means of Competitive Bidding or a combination of Competitive Bidding and Non-competitive Bidding.
 6. Competitive Bidding is a bid placement by stating the volume and yield rate expected by the bidder.
 7. Non-competitive bidding is a bid placement by stating the volume but not the yield rate expected by the bidder.
 8. Percentage for the Competitive Bidding and Non-competitive Bidding shall be determined prior to the SUN Auction. In the event that a Competitive Bidding exceeds the predetermined target while the Non-competitive Bidding is smaller than the predetermined target, or vice versa, the allocation of percentage of the Competitive Bidding and Non-competitive Bidding may be adjusted to absorb the excess or shortage in either type of the auction bidding.

9. Settlement

9. Settlement of the outcome of SUN Auction on the Primary Market shall be performed under the following terms:
 - a. Treasury Bills, 1 (one) business day following the day of the Government Treasury Bills auction (T+1);
 - b. Government Bonds, no later than 5 (five) business days following the announcement of winners of the Government Bonds auction (T+5).
10. Buyers of SUN shall be required to hold:
 - a. Securities Account at the Central Registry or Sub-Registry for the settlement of the outcome of SUN Auction;
 - b. Rupiah Demand Deposit Account at Bank Indonesia or by appointing a Bank to perform the fund settlement.
11. In order to conduct the settlement of SUN Auction outcome on the Primary Market, Bank Indonesia has the authority to debit the Rupiah Demand Deposit Accounts of SUN Auction Winners or of Banks appointed for the fund settlement at Bank Indonesia.
12. Settlement of SUN Auction result shall consist of:
 - a. Securities settlement

Gross Securities settlement shall be conducted by the Central Registry by crediting the securities account held by SUN Buyer at the Central Registry in the amount of the nominal value of the SUN.
 - b. Fund Settlement

Fund Settlement

Fund settlement shall be conducted by Bank Indonesia through the Money Market Transaction Settlement Division, Directorate of Monetary Management, hereinafter referred to as PTPU-DPM, either under the gross or netting system by debiting the Rupiah Demand Deposit Accounts at Bank Indonesia held by auction winners or Banks appointed for the fund settlement, and by crediting the Government's Rupiah Demand Deposit Account at Bank Indonesia through the Bank Indonesia Real Time Gross Settlement System, hereinafter referred to as BI-RTGS System, in the amount of SUN Auction settlement price.

II. Procedures for Auction of SUN

A. Terms and Conditions

1. SUN Auction shall be performed based on a quantity target with due observance on the discount rate or yield rate from the received bids.
2. Banks and Securities Companies may place bids for SUN Auction for their own account and the accounts of other parties, namely individuals, companies, joint ventures, associations or organized groups.
3. Rupiah and Foreign Exchange Money Market Brokerage Companies may only place bids for SUN Auction for the accounts of other parties, namely individuals, companies, joint ventures, associations or organized groups.
4. In the event that an Auction Participant places a bid to purchase SUN for its own account, the bid may only be a Competitive Bidding.

5. In the event

5. In the event that an Auction Participant places a bid for SUN for the account of other parties, namely individuals, companies, joint ventures, associations or organized groups, the bid may be a Competitive Bidding and or a Non-competitive Bidding.
6. In the event that a SUN Auction shall take place, such auction must be done on a Tuesday or any other business day if Tuesday is a holiday. Any change of SUN Auction schedule must be announced by Bank Indonesia through the Money Market Information Center, hereinafter referred to as PIPU, and or other facilities designated by Bank Indonesia.
7. Facilities used for the submission of bid for SUN Auction shall be the Automatic Bidding System, hereinafter referred to as ABS, as one of the functions in Bank Indonesia-Scriptless Securities Settlement System, hereinafter referred to as BI-SSSS.
8. Bank Indonesia shall announce the quantity target of the planned auction in the form of an indicative target no later than 1 (one) business day prior to the SUN Auction day through the ABS, PIPU and/or other facilities designated by Bank Indonesia.
9. In the event that a Bank uses the ABS, such Auction Participant must comply with the requirements in prevailing regulations concerning the BI-SSSS.
10. In the event that a Bank which is not an Auction Participant places a bid for SUN Auction through a Bank which is an Auction Participant, the Bank which is not an Auction Participant shall be required to place a confirmation of the bid for the SUN Auction to the Money Market Operation Division –

Directorate

Directorate of Monetary Management, hereinafter referred to as OPU-DPM, through the administrative message facility of the BI-SSSS no later than 1 (one) hour after the SUN Auction and to reaffirm the confirmation in writing.

11. In the event that a Bank places a bid for SUN Auction through a Foreign Exchange and Rupiah Money Market Broker and or a Securities Company, the concerned Bank must place the Broker Bidding Limit confirmation letter using the form provided in Attachment 1.
12. The letter referred to in point 11 shall be delivered by the Bank to Bank Indonesia c.q. the OPU-DPM division, Building B 10th Floor, Jl. M.H. Thamrin No. 2, Jakarta 10010, no later than 1 (one) business day prior to their participation in the SUN Auction.
13. In the event that a Foreign Exchange and Rupiah Money Market Broker and or a Securities Company places a bid for SUN Auction for the account of a party other than a Bank, such Foreign Exchange and Rupiah Money Market Broker and or Securities Company must complement the bid with a Sub-Registry confirmation letter using the form provided in Attachment 2.
14. The original letter referred to in point 13 shall be delivered by the Sub-Registry to Bank Indonesia through the OPU-DPM division, Building B 10th Floor, Jl. M.H. Thamrin No. 2, Jakarta 10010, no later than 1 (one) business day prior to its participation in the SUN Auction activities.
15. Should there be any changes in agreement on the broker bidding limit confirmation letter and the Sub-Registry confirmation letter as referred to in points 11 and 13, Banks and Sub-Registry must report the changes to Bank Indonesia through the OPU-DPM division, Building B 10th Floor, Jl. M.H. Thamrin No. 2, Jakarta 10010. Such report must be delivered no later than 1 (one) business day prior to the SUN Auction.

B. Procedures

B. Procedures for SUN Auction

1. Bank Indonesia shall announce the indicative target and date of SUN Auction through the ABS, PIPU and/or other facilities designated by Bank Indonesia.
2. The announcement of SUN Auction plan shall, among others, cover:
 - a. Auction time;
 - b. Indicative target offered;
 - c. Time period of SUN;
 - d. Date of issuance and date of maturity;
 - e. Currency;
 - f. Schedule for the opening and closing of bid;
 - g. Schedule for the announcement of auction result;
 - h. Settlement date;
 - i. Allocation for the Non-competitive Bidding in the event of combined competitive and non-competitive bidding;
 - j. Facility to place the bid.
3. On the SUN Auction day, Auction Participants must place the quantity and the discount rate or yield rate desired for the Competitive Bidding or quantity bid for the Non-competitive Bidding from 10.00 a.m. Western Indonesia Time through to 12.00 (noon) Western Indonesia Time.
4. Auction Participants shall place SUN Auction bids to Bank Indonesia through OPU-DPM division which covers the quantity and the discount rate or the yield rate desired under the following terms:

a. Quantity

- a. Quantity desired from each Auction Participant shall be no less than 1,000 (one thousand) units or Rp.1,000,000,000.00 (one billion Rupiah), and the remainder in the multiplication of 100 (one hundred) units or Rp.100,000,000.00 (one hundred million Rupiah);
 - b. discount rate or yield rate shall be placed in the multiplication of 0.01% (one-ten thousandth).
5. Auction Participants shall be responsible for the accuracy of the bidding information.
 6. Auction Participants who have placed their bids shall be prohibited from canceling their bids.

C. Determination of SUN Auction Winners.

1. The Minister of Finance of the Republic of Indonesia shall determine the result and the winners of SUN Auction in the Primary Market.
2. The method in determining the winners of the SUN Auction shall be the Stop-out Rate system, which means that the sale of SUN shall be based on the indicative target of SUN to be sold by the Government.
3. The Stop-out Rate, hereinafter referred to as SOR, shall be the highest discount rate or yield rate resulting from the SUN Auction bid on the Primary Market in order to achieve the indicative target of SUN to be sold by the Government. The SOR shall be determined by the Minister of Finance of the Republic of Indonesia.

4. Price

4. Price determination for the winner of the SUN Auction shall be conducted by using the multiple price method or the uniform price method.
5. Determination of price and quantity for each auction winner shall be performed as follows:
 - a. Multiple Price method.

- 1) Competitive Bidding

- a) In the event that the discount rate or the yield rate of the bid is lower than the SOR, the Auction Participant shall gain the entire SUN quantity proposed with a discount rate or a yield rate as proposed.
 - b) In the event that the discount rate or the yield rate of the bid is equivalent to the SOR, the Auction Participant shall gain the entire or a portion of the SUN quantity proposed calculated proportionally, with a discount rate or a yield rate as proposed.

Calculation for determining the winner of SUN Auction using the multiple price method is illustrated in Attachment 3.

- 2) Non-competitive Bidding

- a) The determination of SUN price for SUN Auction winners shall be based on a weighted average price of the outcome of the competitive Bidding.
 - b) The determination of SUN quantity for Auction winners shall be performed as follows:

(1) In the

- (1) In the event that the amount of the bid is lower than the maximum allocation for the non-competitive bidding, the Auction Participant shall gain the entire quantity proposed.
- (2) In the event that the amount of the bid is larger than the maximum allocation for the non-competitive bidding, the Auction Participant shall gain a portion of the quantity bid placed calculated proportionally.

b. Uniform Price Method.

1) Competitive Bidding

- a) In the event that the discount rate or the yield rate of the bid is lower than the SOR, the relevant Auction Participant shall gain the entire SUN quantity bid placed.
- b) In the event that the discount rate or the yield rate of the bid is equivalent to the SOR, the relevant Auction Participant may gain the entire SUN quantity bid or a portion of the SUN quantity bid calculated proportionally.

The Calculation to determine the winner of the SUN Auction with uniform price method is illustrated in Attachment 4.

- c) The determination of the price for all SUN Auction winners shall be the weighted average price of SUN Auction winners in the Competitive Bidding.

2. Non-competitive

2) Non-competitive Bidding

- a) The determination of SUN price for SUN Auction winners under the Non-competitive Bidding shall be the weighted average price of the Competitive Bidding outcome.
 - b) The determination of SUN quantity for SUN Auction winners shall be performed as follows:
 - (1) In the event that the amount of the bid is lower than the maximum allocation of the non-competitive bidding, the Auction Participant may gain the entire quantity proposed.
 - (2) In the event that the amount of the bid is larger than the maximum allocation for the non-competitive bidding, the Auction Participant may gain a portion of the placed bid, calculated proportionally.
6. In the event that the placed bids are resulting in discount rates or yields rates outside normal limits, the Minister of Finance of the Republic of Indonesia may adjust the realization of SUN Auction quantity or cancel the entire SUN Auction.

D. Announcement of SUN Auction Outcome

- 1. Bank Indonesia shall announce the SUN Auction outcome through the ABS, PIPU and or other facilities designated by Bank Indonesia at the closing of the SUN Auction day. The announcement shall at least cover:
 - a. Total quantity of auction;
 - b. Weighted average of the discount rate or yield rate;
 - c. The highest

- c. The highest and the lowest discount rate or yield rate of the bid.
2. Bank Indonesia shall announce the SUN auction outcome in terms of quantity and discount rate or yield rate obtained to winning Auction Participants through the ABS.
3. Should the Minister of Finance of the Republic of Indonesia reject the entire or a portion of the SUN Auction bid, Bank Indonesia shall announce such cancellation.

III. Calculation of Settlement Price of the SUN Auction Outcome.

1. Time period of SUN shall be indicated in number of days beginning on the settlement date until the maturity date.
2. Day count for the calculation of accrued interest shall use the Actual per Actual (A/A) basis.
3. Calculation for the fund settlement price shall be as follows:
 - a. For SPN:

Settlement Price= (Rounded net price per unit of SPN) x (number of SPN units won)

- b. For Government Bonds with coupon system:

Settlement Price= (Rounded net price per unit of Government Bond plus rounded accrued interest per unit of Government Bond)
x (number of Government Bond units won)

- c. For Government Bonds with discount system (zero coupon bonds)

Settlement price

Settlement Price= (Rounded net price per unit of State Bond) x (number of
State Bond units won)

Pricing formula for each unit of SPN and State Bond is as illustrated in
Attachment 5.

IV. Procedures for the Settlement and Recording of SUN Ownership.

Procedures for the settlement of SUN Auction and recordings of SUN ownership shall be in accordance with prevailing Bank Indonesia Regulation Concerning Bank Indonesia - Scripless Securities Settlement System.

V. Cancellation of Auction Transaction Outcome

In the event that a winning SUN Auction Participant has not paid its liabilities by the time limit for the settlement since the Bank conducting the fund settlement does not have sufficient balance in the Bank's Rupiah Demand Deposit Account at Bank Indonesia, the entire outcome of the SUN Auction of which settlement is to be settled through that Bank shall be cancelled.

VI. Imposition of Sanction

1. In the event that an Auction Participant performs a Non-competitive Bidding for its own account, such Auction Participant will be imposed with the sanction of a prohibition from participating in SUN Auctions for 3 (three) consecutive times.
2. For each bid cancellation and transaction cancellation as referred to in point V, the relevant Auction Participant shall be imposed with a sanction of a prohibition from participating in SUN Auctions for 3 (three) consecutive times.

VII. Closing Provisions.....

VII. Closing Provisions

At the validity of this Circular Letter, Bank Indonesia Circular Letter Number 5/4/DPM dated March 21, 2003 Concerning Procedures for the Auction of Government Securities on the Primary Market is declared no longer valid.

Provisions in this Circular Letter shall come into force as of February 16, 2004.

For the public to be informed, this Circular Letter shall be promulgated by publishing it in the State Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

BUDI MULYA
DIRECTOR OF MONETARY MANAGEMENT

Attachment 1

Sample Format : **BROKER BIDDING LIMIT CONFIRMATION LETTER**

To :

Bank Indonesia – Directorate of Monetary Management
cq. Money Market Transaction Settlement Division
Building B 10th Floor
Jl. MH. Thamrin No. 2
Jakarta 10010

Subject : Broker Bidding Limit Confirmation Letter

We hereby agree to appoint PT (name of broker) as the broker in the placement of bid for the auction held by Bank Indonesia for and on our behalf.

With regard to the above, under Agreement No. dated concerning , we set a Broker Bidding Limit to PT (name of broker) for a total of Rp. (in words.....) per day for the placement of bid for Bank Indonesia Certificate (SBI) auction, Government Securities (SUN) bid and or placement of FASBI on our behalf through the Bank Indonesia - Scripless Securities Settlement System (BI-SSSS).

Should PT (name of broker) win the SBI auction, SUN auction and or allocation of FASBI of which the fund settlement is conducted at the expense of our demand deposit account at Bank Indonesia, we authorize Bank Indonesia to debit our Rupiah demand deposit account at Bank Indonesia in the amount of the incurred fund settlement obligation.

This confirmation letter is prepared with our utmost good faith and should there be any false information, we are willing to accept the risks and consequences of the actions taken by Bank Indonesia.

Thank you for your attention.

Jakarta,.....

Name of Bank

Stamp Duty

Signature of authorized official
And Company's stamp

Attachment 2

Sample Format : **SUB-REGISTRY CONFIRMATION LETTER**

To :

Bank Indonesia – Directorate of Monetary Management
cq. Division of Money Market Operation
Building B 10th Floor
Jl. MH. Thamrin No. 2
Jakarta 10010

Subject : Confirmation Letter for the Settlement of A Commercial Papers/Securities Purchase on the Primary Market for and on behalf of Sub-Registry's Customer

With regard to our customer's activities in purchasing Commercial Papers/Securities on the Primary Market in which the placement of bid is made through PT (name of broker) as the broker in the placement of bid for the auction held by Bank Indonesia, we hereby agree to conduct the concerned Commercial Papers/Securities settlement at the expense of the Paying Bank that we have appointed pursuant to the Paying Bank's confirmation letter which we have sent to Bank Indonesia, Directorate of Monetary Management cq. Money Market Transaction Settlement Division.

This confirmation letter is prepared with our utmost good faith and should there be any incorrect matter found in the future, we are willing to accept the risks and consequences of actions taken by Bank Indonesia.

Thank you for your attention.

Jakarta,.....

Name of Sub-Registry

Stamp Duty

Signature of authorized official
And Company's stamp

Attachment 3

Sample Calculation of SUN Auction Outcome

SOR with Multiple Price

- Indicative Target: Rp.10 Trillion
- Allocation of Competitive Bidding : 60%, Non-competitive Bidding : 40%

Details of Competitive Bidding (Table -1):

| NO | BID | | | | | RESULT | |
|----|----------------------------|----------------------------|-------------------|-----------------|----------------------------|--------------------------------|----------------------------|
| | NOMINAL (RP BILLION) | CUMULATIVE (RP BILLION) | CUMULATIVE (%) | DISCOUNT (%) | Weighted Average (%) | NOMINAL WON (RP BILLION) | CUMULATIVE (RP BILLION) |
| 1 | 50 | 50 | 0,7 | 13,6250 | 13,6250 | 50 | 50 |
| 2 | 450 | 500 | 6,9 | 13,7500 | 13,7380 | 450 | 500 |
| 3 | 250 | 750 | 10,3 | 13,7500 | 13,7420 | 250 | 750 |
| 4 | 1.250 | 2.000 | 27,6 | 14,0000 | 13,9030 | 1.193 | 1.943 |
| 5 | 500 | 2.500 | 34,5 | 14,0000 | 13,9230 | 477 | 2.420 |
| 6 | 2.000 | 4.500 | 62,1 | 14,0000 | 13,9570 | 1.909 | 4.330 |
| 7 | 250 | 4.750 | 65,5 | 14,0000 | 13,9590 | 239 | 4.568 |
| 8 | 1.500 | 6.250 | 86,2 | 14,0000 | 13,9690 | 1.432 | 6.000 |
| 9 | 750 | 7.000 | 96,6 | 14,2500 | 13,9990 | 0 | 6.000 |
| 10 | 250 | 7.250 | 100,0 | 14,3750 | 14,0120 | 0 | 6.000 |

→ Weighted average on cumulative of Rp.6 trillion= 13.9673%

Details of Non-competitive Bidding (Table -2):

| NO | BID | | | | RESULT | |
|----|----------------------------|----------------------------|-------------------|--|--------------------------------|----------------------------|
| | NOMINAL (RP BILLION) | CUMULATIVE (RP BILLION) | CUMULATIVE (%) | | NOMINAL WON (RP BILLION) | CUMULATIVE (RP BILLION) |
| 1 | 375 | 375 | 7.14 | | 286 | 286 |
| 2 | 400 | 775 | 14.76 | | 305 | 590 |
| 3 | 450 | 1225 | 23.33 | | 343 | 933 |
| 4 | 500 | 1725 | 32.86 | | 381 | 1314 |
| 5 | 525 | 2250 | 42.86 | | 400 | 1714 |
| 6 | 550 | 2800 | 53.33 | | 419 | 2133 |
| 7 | 575 | 3375 | 64.29 | | 438 | 2571 |
| 8 | 600 | 3975 | 75.71 | | 457 | 3029 |
| 9 | 625 | 4600 | 87.62 | | 476 | 3505 |
| 10 | 650 | 5250 | 100.00 | | 495 | 4000 |

Based on the incoming bids, the Minister of Finance of the Republic of Indonesia determines the SOR at 14.0000%.

Attachment 3 (Cont'd)

The amount of the incoming bids exceeds the indicative target of Rp 10 trillion, of which the Competitive Bidding is 60% or Rp 6 trillion and Non-competitive Bidding is 40% or Rp 4 trillion. The amount of the incoming bids exceeds the indicative target both on the Competitive Bidding and the Non-competitive Bidding. Therefore, not all participants could win the auction. The auction winners shall be determined as follows:

1. For Competitive Bidding Auction Participants

Auction winners are Auction Participants with discount rate or yield rate bids equivalent to or lower than the SOR (stop-out rate), namely 14.0000%. Thus, the auction winners are Auction Participants with discount rate or yield rate bids equivalent to or smaller than 14.0000%, namely participants one through eight.

Participants four through eight win the auction proportionally according to the amount of their respective bids compared to the amount of the 14.0000% discount rate or yield rate bid. Details of amount won proportionally by Competitive Bidding Participants are shown in the upper right table (Table 1).

2. For Non-competitive Bidding Auction Participants

All Non-competitive Bidding Auction Participants obtain a yield rate of 13,9673% or the weighted average of Competitive Bidding Auction winners. The quantity of SUN obtained is based on proportional calculation. Details of amount won proportionally by Non-competitive Bidding Participants are shown in the upper right table (Table 2).

Attachment 4

Sample Calculation of SUN Auction Result

SOR with Uniform Price

- Indicative Target: Rp.10 Trillion
- Allocation of Competitive Bidding 60% and Non-competitive Bidding 40%

Details of Competitive Bidding (Table-1):

| NO | BID | | | | | | RESULT | |
|----|-------------------------|--------------------------------|-----------------------|-----------------|----------------------------|---|--------------------------------|--------------------------------|
| | NOMINAL (RP BILLION) | CUMULATIV E (RP BILLION) | CUMULATIV E (%) | DISCOUNT (%) | Weighted Average (%) | | NOMINAL WON (RP BILLION) | CUMULATIV E (RP BILLION) |
| 1 | 50 | 50 | 0,7 | 13,6250 | 13,6250 | → Weighted average on cumulative of Rp 6 trillion = 13.9673% | 50 | 50 |
| 2 | 450 | 500 | 6,9 | 13,7500 | 13,7380 | | 450 | 500 |
| 3 | 250 | 750 | 10,3 | 13,7500 | 13,7420 | | 250 | 750 |
| 4 | 1.250 | 2.000 | 27,6 | 14,0000 | 13,9030 | | 1.193 | 1.943 |
| 5 | 500 | 2.500 | 34,5 | 14,0000 | 13,9230 | | 477 | 2.420 |
| 6 | 2.000 | 4.500 | 62,1 | 14,0000 | 13,9570 | | 1.909 | 4.330 |
| 7 | 250 | 4.750 | 65,5 | 14,0000 | 13,9590 | | 239 | 4.568 |
| 8 | 1.500 | 6.250 | 86,2 | 14,0000 | 13,9690 | | 1.432 | 6.000 |
| 9 | 750 | 7.000 | 96,6 | 14,2500 | 13,9990 | | 0 | 6.000 |
| 10 | 250 | 7.250 | 100,0 | 14,3750 | 14,0120 | | 0 | 6.000 |

Details of Non-competitive Bidding (Table-2):

| NO | BID | | | | RESULT | |
|----|-------------------------|----------------------------|-------------------|---|--------------------------------|----------------------------|
| | NOMINAL (RP BILLION) | CUMULATIVE (RP BILLION) | CUMULATIVE (%) | | NOMINAL WON (RP BILLION) | CUMULATIVE (RP BILLION) |
| 1 | 375 | 375 | 7.14 | → | 286 | 286 |
| 2 | 400 | 775 | 14.76 | | 305 | 590 |
| 3 | 450 | 1225 | 23.33 | | 343 | 933 |
| 4 | 500 | 1725 | 32.86 | | 381 | 1314 |
| 5 | 525 | 2250 | 42.86 | | 400 | 1714 |
| 6 | 550 | 2800 | 53.33 | | 419 | 2133 |
| 7 | 575 | 3375 | 64.29 | | 438 | 2571 |
| 8 | 600 | 3975 | 75.71 | | 457 | 3029 |
| 9 | 625 | 4600 | 87.62 | | 476 | 3505 |
| 10 | 650 | 5250 | 100.00 | | 495 | 4000 |

Based on the incoming bids, the Minister of Finance of the Republic of Indonesia determines the SOR at 14.0000%.

Attachment 4 (Cont'd)

The amount of the incoming bids exceeds the indicative target of Rp.10 trillion, of which the Competitive Bidding is 60% or Rp 6 trillion and Non-competitive Bidding is 40% or Rp 4 trillion. The amount of the incoming bids exceeds the indicative target both on the Competitive Bidding and the Non-competitive Bidding. Therefore, not all participants could win the auction. The auction winners shall be determined as follows:

1. For Competitive Bidding Auction Participants

Auction winners are Auction Participants with discount rate or yield rate bids equivalent to or lower than the SOR (stop-out rate), namely 14.0000%. Thus, the auction winners are Auction Participants with discount rate or yield rate bids equivalent to or smaller than 14.0000%, namely participants one through eight.

However, the discount rate or yield rate won is uniform, calculated based on the weighted average of the auction with a cumulative of Rp. 6 trillion. In this regard, Participants one through eight win the auction at the same price (uniform) at 13.9673%. Details of the proportionate amount won by the Competitive Bidding Participants are shown in the upper right table (Table 1).

2. For Non-Competitive Bidding Auction Participants

All non-competitive Auction Participants obtained a yield rate of 13.9673% or the weighted average of Competitive Bidding Auction Participants. The quantity of SUN obtained is based on a proportional calculation. Details of the proportionate amount won by the Non-competitive Bidding Participants are shown in the upper right table (Table 2).

Attachment 5

CALCULATION OF TREASURY BILLS SETTLEMENT PRICE

The calculation method for unit settlement price of State Treasury Bills (SPN) is as follows:

$$P_{\text{SPN}} = \frac{N}{1 + \left(i \times \frac{D}{365} \right)}$$

where,

- P_{SPN} = Settlement Price per SPN unit;
- N = nominal value of each SPN unit;
- i = Yield in percentage, up to 4 (four) decimals;
- D = number of actual days, counted from 1 (one) day after settlement date until the maturity date.

Settlement Price is rounded up to a full Rupiah, provided that if it is lower than or equivalent to 50 (fifty) cents then it will be rounded down to zero, while if it is over 50 (fifty) cents then it will be rounded up to Rp 1.00 (one Rupiah).

Sample Calculation of SPN Settlement Price

On February 19, 2003, the Government issued SPN with a nominal value of Rp 1,000,000.00 (one million Rupiah) per unit. This SPN matures on March 19, 2003. If the agreed yield rate is 12.00% (twelve percent) and the settlement is conducted on February 19, 2003, then the settlement price for each unit of SPN shall be calculated as follows:

- N = Rp 1,000,000.(one million Rupiah);
- i = 12.00% (twelve percent);

Attachment 5 (Cont'd)

D = 28 (twenty-eight) days, i.e. the number of actual days beginning 1 (one) day after the settlement date (February 20, 2003) until the maturity date (March 19, 2003);

$$P_{\text{SPN}} = \frac{\text{Rp}1,000,000}{1 + \left(12.00\% \times \frac{28}{365}\right)}$$

$$= \text{Rp}990,878.49$$

$$\approx \text{Rp}990,878.$$

Therefore, the Settlement Price for each unit of SPN after rounding is Rp990,878.

(nine hundred ninety thousand eight hundred seventy-eight Rupiah).

SETTLEMENT PRICE CALCULATION FOR GOVERNMENT BONDS

I. Settlement Price for Government Bonds with Coupon

Calculation method of Settlement Price for each State Bonds unit with Coupon is as follows:

Step 1: Clean price per unit shall be calculated as follows:

$$P = \left[\frac{N}{\left(1 + \frac{i}{n}\right)^{\left(F - 1 + \frac{d}{E}\right)}} \right] + \left[\sum_{k=1}^F \frac{N \times \frac{c}{n}}{\left(1 + \frac{i}{n}\right)^{\left(k - 1 + \frac{d}{E}\right)}} \right] - \left(N \times \frac{c}{n} \times \frac{a}{E} \right)$$

of which the accrued interest per unit shall be calculated as follows:

$$AI = N \times \frac{c}{n} \times \frac{a}{E}$$

Attachment 5 (Cont'd)

Step 2: Settlement Price per unit shall be calculated as follows:

$$P_K = P + AI$$

II. Settlement Price for Government Bonds Without Coupon (Zero Coupon Bond)

Calculation method for the Settlement Price per Government Bond unit without coupon is as follows:

$$P_Z = \frac{N}{(1+i)^{\frac{D}{365}}}$$

where,

P_K = Settlement Price per Government Bond unit with coupon;

P_Z = Settlement Price per Government Bond unit without coupon;

P = Clean price per Government Bond unit with coupon;

AI = Accrued interest per Government Bond unit with coupon;

N = nominal value of Government Bond per unit;

D = number of actual days beginning 1 (one) day after the settlement date until the maturity date;

a = number of actual days beginning 1 (one) day after initial date of coupon period until the settlement date;

c = coupon rate;

d = number of actual days beginning 1 (one) day after the settlement date until the next coupon payment date;

E = number of actual days beginning 1 (one) day after the beginning of coupon period until the next coupon payment date, at which the settlement is conducted;

i = Yield to maturity in percentage, up to 2 (two) decimals;

k = 1, 2, 3, ..., F ;

F = frequency of coupon payments remaining from the settlement date until the maturity date;

n = frequency of coupon payments in one year.

Attachment 5 (Cont'd)

Clean price and Accrued interest are rounded to a full Rupiah, provided that if it is lower than or equivalent to 50 (fifty) cents then it will be rounded down to zero, while if it is over 50 (fifty) cents then it will be rounded up to Rp 1.00 (one Rupiah).

Sample Calculation of Government Bond Settlement Price with Coupon

On February 19, 2003, the Government issued Government Bonds with a nominal value of Rp 1,000,000. (one million Rupiah) per unit and with a coupon of 12.00% (twelve percent) per annum. This Government Bond matures on February 15, 2005 and the coupon shall be paid in advance on February 15 and August 15 every year. If the agreed yield to maturity is 12.50% (twelve point five percent) and the settlement is conducted on February 19, 2003, the Settlement Price per Government Bond unit shall be calculated using the following steps:

- N = Rp1,000,000. (one million Rupiah);
- i = 12.50% (twelve point five zero percent);
- c = 12.00% (twelve percent);
- a = 4 (four) days, i.e. number of actual day accounted as of 1 (one) day after the initial date of coupon period (February 16, 2003) until the settlement date (February 19, 2003);
- d = 177 (one hundred seventy-seven) days, i.e. number of actual days beginning 1 (one) day after the settlement date (February 20, 2003) until the next coupon payment date (August 15, 2003);
- E = 181 (one hundred eighty-one) days, i.e. number of actual days beginning 1 (one) day after the beginning of coupon period until the next coupon payment date, of which the settlement is conducted (February 16, 2003 until August 15, 2003);
- n = 2 (two) times in a year (semiannually), i.e. every February 15 and August 15;
- F = 4 (four) times, i.e. number of coupon payments from the Settlement date until the maturity date (February 19, 2003 until February 15, 2005);

Step 1: Clean price per unit shall be calculated as follows:

$$\begin{aligned}
 P &= \left[\frac{\text{Rp}1,000,000.00}{\left(1 + \frac{12.50\%}{2}\right)^{\left(4 - 1 + \frac{177}{181}\right)}} \right] + \left[\frac{\text{Rp}1,000,000.00 \times \frac{12.00\%}{2}}{\left(1 + \frac{12.50\%}{2}\right)^{\left(1 - 1 + \frac{177}{181}\right)}} \right] \\
 &+ \frac{\text{Rp}1,000,000.00 \times \frac{12.00\%}{2}}{\left(1 + \frac{12.50\%}{2}\right)^{\left(2 - 1 + \frac{177}{181}\right)}} + \frac{\text{Rp}1,000,000.00 \times \frac{12.00\%}{2}}{\left(1 + \frac{12.50\%}{2}\right)^{\left(3 - 1 + \frac{177}{181}\right)}} \\
 &+ \frac{\text{Rp}1,000,000.00 \times \frac{12.00\%}{2}}{\left(1 + \frac{12.50\%}{2}\right)^{\left(4 - 1 + \frac{177}{181}\right)}} - \left(\text{Rp}1,000,000.00 \times \frac{12.00\%}{2} \times \frac{4}{181} \right) \\
 &= \text{Rp}785,716.91 + \text{Rp}206,998.81 - \text{Rp}1,325.97 \\
 &= \text{Rp}991,389.75 \\
 &\approx \text{Rp}991,390.00
 \end{aligned}$$

Thus, the clean price for each unit of State Bond after rounding is Rp991,390. (nine hundred ninety-one thousand three hundred and ninety Rupiah).

Of which the accrued interest per unit shall be calculated as follows:

$$\text{AI} = \text{Rp}1,000,000.00 \times \frac{12.00\%}{2} \times \frac{4}{181}$$

Attachment 5 (Cont'd)

$$= \text{Rp}1,325.97$$

$$\approx \text{Rp}1,326.$$

Thus, the accrued interest for each unit of Government Bond after rounding is Rp1,326.

(one thousand three hundred and twenty-six Rupiah).

Step 2: Settlement Price for each unit shall be calculated as follows:

$$P_K = \text{Rp}991,390. + \text{Rp}1,326.$$

$$= \text{Rp}992,716.$$

Thus, the Settlement Price for each unit of State Bond after rounding is Rp 992,716.

(nine hundred ninety-two thousand seven hundred and sixteen Rupiah).

Sample Calculation of Zero Coupon Government Bond Settlement Price

On February 19, 2003, the Government issued Government Bonds with a nominal value of Rp1,000,000. (one million Rupiah) per unit. This Government Bond matures on February 15, 2005. If the agreed yield to maturity is 12.50% (twelve point five zero percent) and the settlement is conducted on February 19, 2003, the Settlement Price per unit of such Government Bond shall be calculated using the following steps :

$$N = \text{Rp } 1,000,000 \text{ (one million Rupiah);}$$

$$i = 12.50\% \text{ (twelve point zero five percent);}$$

$$D = 727 \text{ (seven hundred twenty-seven) days, i.e. the number of actual days accounted as of 1 (one) day after the settlement date (February 20, 2003) until the maturity date (February 15, 2005);}$$

$$\begin{aligned}P_Z &= \frac{\text{Rp}1,000,000}{(1+12.50\%)^{\frac{727}{365}}} \\&= \text{Rp } 790,888.73 \\&\approx \text{Rp.}790,889.\end{aligned}$$

Thus, the Settlement Price for each unit of State Bond after rounding is Rp 790,889.
(seven hundred ninety thousand eight hundred eighty-nine Rupiah).